

2014

Missouri

Enterprise Zones

FY 2014 Annual Report



Missouri Department of Economic Development

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SUMMARY

STATUTORY AUTHORITY

- Sections 135.200 to 135.270, RSMo
- The first Enterprise Zone (EZ) program was established in Missouri in 1982 as a means to allow local governments the option to provide tax abatement to companies locating or expanding in a designated distressed and blighted area known as an “enterprise zone”. A state tax credit was coupled with the EZ as an entitlement based upon jobs and investment. The tax credit had no cap.
- Pursuant to SB 1155 (2004), the EZ tax benefit program was sunset and is being phased out of existence. The established EZ zones in place prior to the sunset were allowed to run their full 25 year course. The same bill replaced the EZ with the Enhanced Enterprise Zone (EEZ) program which allowed the same local tax abatement feature along with a discretionary tax credit program which with an annual cap. In 2013 HB 184 replaced the Enhanced Enterprise Zone program with the Missouri Works program (Zone-Works).
- While the initial EZ zones are expiring, the established Enhanced Enterprise Zones will continue with their 25 year life span before their respective expiration dates. The amended statute still provides the authority to local governments to establish zones. Any new zone or existing zone created under EEZ retains the ability to access state tax credits under the “ZoneWorks” category of the Missouri Works Program, for new business locations and existing business expansions.
- This statutory annual report relates to only the zones and tax credit activity established under the original Enterprise Zone (EZ) Program. There are separate statutory reporting requirements for Missouri Works.

PURPOSE

To provide tax incentives which promote and facilitate the expansion of new and/or existing businesses in Missouri’s many enterprise zones.

PROGRAM DESCRIPTION

The eligible project must be located in one of Missouri’s “enterprise zones.” Enterprise zones are specified geographic areas as set forth by statute and certified by the Department of Economic Development (DED). Designations are based on demographic eligibility and approval of a request by the local government. The number of zones that may be certified is limited by law.

Facility eligibility is determined by its primary Standard Industrial Classification (SIC) or North American Industrial Classification System (NAICS) code, and includes manufacturing, warehousing, wholesale distribution, mining, insurance, research and development, recycling operations, computer-related services, and certain office activities.

To receive credits, a facility must create at least two new jobs and make a new investment equal to or in excess of \$100,000 (\$1,000,000 for replacement facilities) in the claimed year as compared to the base year (the year prior to a facility's commencement of operations). The investment credits are based on the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same, excluding inventory.

Credits may be issued for each of ten years after the commencement of operations, unless the life of the enterprise zone expires first. Local property tax abatement, a state income tax exemption, and state income tax credits may be provided as business incentives, based on the following factors:

- new jobs created at the facility;
- enterprise zone residents employed by the facility;
- employees classified as "difficult to employ", or special;
- training for zone residents or employees classified as difficult to employ; and
- the amount of new investment at the qualifying facility.

MISSOURI ECONOMIC IMPACT

As the Enterprise Zone program continues to wind down, the Department of Economic Development issued \$1,062,772 in tax credits to one company in fiscal year 2014. The amount of the credit issued was an amendment to a previous issuance for jobs. The company amended its paperwork to accurately reflect its investment and jobs for a previous tax year. No new jobs were created or investment made for the Enterprise Zone program during this fiscal year.

The overall state unemployment rate has decreased slightly over the past year to 6.5 percent at fiscal year end, down from 6.9 percent in June 2013. This places Missouri's unemployment rate slightly above the national unemployment rate, which was 6.1 percent.

MISSOURI ENTERPRISE ZONE PERFORMANCE

While the program generated some investment over fiscal year 2013, the number of businesses participating in the program continues to decrease, due primarily to zone and benefit expirations. As of June 30, 2014, 61 of the 72 enterprise zone designations had expired. All zones will expire by December 30, 2019. Because the MO Enterprise Zone program is sunset, the Department expects to see a continuing decline in the program's economic impact as zones continue to expire.

Missouri Enterprise Zones Locations



Zones Expired as of 6/30/2014

Zone # and Name

1. St. Louis Midtown
3. Washington County/St Francois County/ Potosi
4. Wayne County/Greenville/Piedmont
6. Trenton
7. Springfield
8. Pemiscot
9. Perryville
10. Wellston
11. Dent County/Texas County/Salem/Licking/Houston
12. Sedalia
13. Kennett
14. Chillicothe
15. Cabool
16. Joplin Area/Webb City
17. Kansas City
18. St. Joseph/Buchanan County
19. Hannibal
20. Sikeston
21. Howell County/West Plains/Willow Springs
22. Dunklin Co./Stoddard Co./Malden/Dexter
23. Cuba/Steelville/Crawford County
24. Pike
25. Kirksville
26. Carrollton
27. Excelsior Springs
28. Nevada/Vernon County
29. Poplar Bluff/Butler County
30. Milan/Sullivan County
31. Cape Girardeau/Cape Girardeau County
32. Butler
33. New Madrid

Zone # and Name

34. Neosho
35. Shannon County
36. St. Louis Satellite
37. Clay County
38. California
39. Rolla
40. Kansas City Satellite #1
41. Ripley County
42. Miller County
43. Marshall
44. Madison Co./Iron Co./Fredericktown/Ironton
45. Windsor/Henry County/Pettis County
46. Kansas City Satellite #2
47. Dallas County/Buffalo
48. Lewis County
49. Mississippi County
50. Morgan County
51. Marceline
52. Putnam County
53. Carthage
54. Vandalia
55. Gasconade Valley
56. Mexico
57. Daviess Co./Gentry County/Harrison County
58. Aurora
59. Kansas City Federal Enterprise Community
60. St. Louis/Wellston Federal Enterprise Comm.
61. East Prairie Federal Enterprise Community
62. Clinton
63. Independence

Exhibit A: Economic Impact of Still Active Missouri Enterprise Zones, Fiscal Year 2014

Economic Impact of Still Active Missouri Enterprise Zones, Fiscal Year 2014

Active Zones - Number and Name	Number of Facilities	Net New Investment from Previous FY ³	Net New Jobs ³	Zone Residents ¹	Special Employees ²	Total Credit Issued FY 2012
2. Macon/Macon County/Callao/Bevier						
5. Brookfield						
64. Ava						
65. Independence Satellite						
66. Moberly	1	\$3,070,733	0	25	0	\$1,062,772
67. Lamar						
68. Camden County						
69. Fayette						
70. North St. Louis County						
71. Wright county						
72. Independence Satellite Zone II - Southeast						
Totals:	1	\$3,070,733	0	25	0	\$1,062,772

¹ Indicates employees living in an area designated an active enterprise zone.

² Employees were eligible for MO General Relief program, Temporary Assistance Program, or were unemployed at least 3 months prior to being hired at the facility.

³ Net new investment and net new jobs are calculated by comparing the previous year new investment and new jobs to current year new investment and new jobs for the businesses issued tax credits in the reporting year. For this fiscal year, the credit issued is a result of an amended filing rather than additional investment.